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**FINANCIAL STATEMENTS &
INDEPENDENT AUDITOR'S REPORT**

**THE METHODIST HOME FOR CHILDREN
NEW ORLEANS, LOUISIANA**

JUNE 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-15-06

THE METHODIST HOME FOR CHILDREN
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Ruth Taylor Ramsey
CERTIFIED PUBLIC ACCOUNTANT

Ruth Taylor Ramsey, CPA
James A. Remont, CPA

August 25, 2005

The Board of Directors
The Methodist Home For Children
New Orleans, Louisiana

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying statement of financial position of The Methodist Home For Children as of June 30, 2005, and the related statements of activities, and of cash flows for the year then ended. These financial statements are the responsibility of The Methodist Home For Children's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Methodist Home For Children as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As shown in the financial statements, The Methodist Home For Children has incurred a \$(302,794) decrease in net assets during the year ended June 30, 2005. In addition, the Home has incurred significant decreases in recent years. Those factors, as disclosed in Note 4, raise substantial doubt about the Home's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 4. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 25, 2005, on my consideration of The Methodist Home For Children's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Ruth Taylor Ramsey, CPA

Ruth Taylor Ramsey
CERTIFIED PUBLIC ACCOUNTANT

Ruth Taylor Ramsey, CPA
James A. Remont, CPA

August 25, 2005

The Board of Directors
The Methodist Home For Children
New Orleans, Louisiana

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING

I have audited the financial statements of The Methodist Home For Children as of and for the year ended June 30, 2005, and have issued my report thereon dated August 25, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The Methodist Home For Children's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered The Methodist Home For Children's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants in the United States of America. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect The Methodist Home For Children's ability to record, process, summarize and report financial data consistent with the assertions of management in financial statements.

Reportable conditions are as follows:

Failures in operation of the internal controls:

1. Evidence that a system fails to provide complete and accurate output consistent with the Home's internal control objectives because of the misapplication of internal controls. Accurate application of payroll accruals calculation would assure proper recognition of the payroll expense on an accrual basis.
2. Evidence of failure to perform tasks that are part of internal controls. Failure to reconcile subsidiary records to general ledger balances, such as accounts payable, could cause timing misstatements that would adversely effect operations and planning decisions.

The Board of Directors
The Methodist Home for Children
August 25, 2005
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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

However, of the reportable conditions described, I consider items 1 and 2 to be material weaknesses.

There were no Prior Reportable Conditions to report on.

This report is intended solely for the information and use of the Board of Directors, management, and the State of Louisiana Legislative Auditor and Department of Social Services and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Ruth Taylor Ramsey, CPA". The signature is written in dark ink and is positioned above the printed name and title.

Ruth Taylor Ramsey
Certified Public Accountant

THE METHODIST HOME FOR CHILDREN
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005

Assets	
Cash	\$ 84,072
Investments (Note 5)	23,462
Accounts receivable, net (Note 12)	325,648
Prepaid insurance	<u>76,760</u>
	509,942
 Land, buildings and equipment, net (Note 6)	 <u>239,966</u>
 Total assets	 <u>\$749,908</u>
Liabilities	
Accounts payable	\$ 45,184
Payroll taxes payable	4,698
Accrued wages and expenses	148,946
Pension plan payable (Note 7)	875
Notes payable banks (Note 9)	181,264
Capital lease payable (Note 10)	7,586
Current portion of long-term debt (Note 11)	<u>60,081</u>
	448,634
 Long-term debt, net of current portion (Note 11)	 <u>3,892</u>
 Total liabilities	 <u>452,526</u>
Net assets	
Unrestricted	297,382
Temporarily restricted (Note 13)	
Permanently restricted (Note 13)	<u> </u>
 Total net assets	 <u>297,382</u>
 Total liabilities and net assets	 <u>\$749,908</u>

The accompanying notes are an integral part of these financial statements.

THE METHODIST HOME FOR CHILDREN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

UNRESTRICTED NET ASSETS

Unrestricted Support and Revenue

Donations, grants and bequests	\$ 376,852
Investment income (Note 5)	760
Charitable trust income (Note 8)	20,953
(Loss) on disposal of assets (Note 17)	(46,960)
Other income	<u>276</u>
	<u>351,881</u>

Fees from governmental agencies

Severe intervention program	953,306
Moderate intervention program	524,000
Therapeutic foster care program	1,238,255
Private agency foster care program (Note 3)	<u>47,274</u>
	<u>2,762,835</u>
	<u>3,114,716</u>

Net assets released from restrictions

Restrictions satisfied by payments (Note 14)	<u>21,160</u>
	<u>3,135,876</u>

Expenses

Severe intervention program	1,164,455
Moderate intervention program	564,505
Therapeutic foster care program	1,026,712
Private agency foster care program	50,243
Fund raising & development	113,541
Administrative and general	<u>498,054</u>

Total expenses (Note 18)	<u>3,417,510</u>
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Changes in unrestricted net assets	<u>(281,634)</u>
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TEMPORARILY RESTRICTED NET ASSETS

Net assets released from restrictions

Restrictions satisfied by payments (Note 14)	<u>(21,160)</u>
Changes in temporarily restricted net assets	<u>(21,160)</u>

Changes in permanently restricted net assets

Changes in net assets	<u>(302,794)</u>
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Net assets at beginning of year	<u>600,176</u>
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Net assets at end of year	<u>\$ 297,382</u>
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The accompanying notes are an integral part of these financial statements.

THE METHODIST HOME FOR CHILDREN
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

Cash flows from operating activities	
Change in net assets	\$(302,794)
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation	96,198
Changes in operating assets and liabilities	
Accounts receivable	24,492
Receivables/other	20,000
Prepaid insurance	(57,296)
Accounts payable	(38,818)
Payroll taxes payable	3,846
Accrued wages and expenses	(10,728)
Pension plan payable	(1,694)
Net cash used by operating activities	(266,794)
Cash flows from investing activities	
Decrease in investments	9
Sale of property and equipment, net	<u>538,435</u>
Net cash provided by investing activities	<u>538,444</u>
Cash flows from financing activities	
Decrease in short-term borrowing	(19,706)
Decrease in long-term borrowing	<u>(161,553)</u>
Net cash used by financing activities	<u>(181,259)</u>
Net increase in cash and cash equivalents	90,391
Cash and cash equivalents at beginning of year	<u>(6,319)</u>
Cash and cash equivalents at end of year	<u>\$ 84,072</u>
Supplemental disclosure	
Interest paid	<u>\$18,952</u>

The accompanying notes are an integral part of these financial statements.

THE METHODIST HOME FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

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NOTE 1 – NATURE OF ACTIVITIES

Organization - The Methodist Home For Children (the Home) is chartered in the state of Louisiana as a not-for-profit organization without capital stock, which is classified as one that is not a private foundation within the meaning of section 509(a) of the Internal Revenue Code because it is an organization described in section 170(b)(1)(A)(vi) which normally receives a substantial part of its support from direct or indirect contributions from the general public. The Home operates a residential treatment facility located in New Orleans, Louisiana, providing care for abused, neglected, and/or abandoned children. It is operated as an agency of the Louisiana Conference of the United Methodist Church.

The Methodist Home For Children administers programs, receiving revenue from the State of Louisiana, Office of Community Services. The residential programs administer to children with moderate and severe emotional and/or behavioral problems. The therapeutic and private agency foster care programs place children in family environments, while providing counseling and support for the families.

The accompanying financial statements include only the accounts of The Methodist Home For Children. No other assets owned by or activities operated by the Louisiana Conference of the United Methodist Church have been included herein.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statements are prepared on the accrual basis. Support from both unrestricted and restricted contributions is recognized either on receipt or upon receiving an unconditional pledge or promise to give from a donor. Support from unrestricted contributions is reported as unrestricted support that increases unrestricted net assets. The Home reports gifts of cash and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions, where all related expenses are also reported. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Home reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Home reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Marketable Securities - Investments in marketable securities are stated at fair value. There are no donor-restricted investments at June 30, 2005. Gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets. Dividend, interest, and other investment income are reported in the period earned in the statement of activities as increases in unrestricted net assets.

Concentration of Risk - Approximately 90% of the Home's revenue was provided by contract for services with the State of Louisiana, Office of Community Services. A significant reduction in the level of this revenue, if this were to occur, would have a material effect on the Home's programs and activities. The Home is required to submit expenditure reports to the state agency, when requested.

Concentration of Credit Risk - Deposits in the operating cash account and the investment service account at times, may exceed the Federal Deposit Insurance Corporation limit. Deposits in excess of insurance coverage represent concentrations of credit risk. The Home has not experienced any losses as a result of any excess deposits in uninsured accounts

Depreciation - Building and improvements are being depreciated over estimated useful lives of 40 years using the straight-line method of depreciation. Equipment and furniture are depreciated over estimated useful lives, which range from 3 to 10 years, using the straight-line method of depreciation. It is the Home's policy to capitalize assets costing \$500 or more.

Accounts Receivable - The Home considers accounts receivable to be virtually fully collectible since the balance consists entirely of payments due under state government contracts. An allowance for uncollectible amounts is recorded equal to aged receivables over one year old.

Income Taxes - No provision for income taxes has been made since the Home is exempt as a nonprofit organization pursuant to Section 501(c)(3) of the Internal Revenue Code. The Home has no unrelated business income.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenue and expenses during the period. Actual results could differ from those estimates. Management has established an allowance of uncollectible accounts receivable based on historical collection rates and the functional allocation of cost. The Home believes that the methods and assumptions used in computing these amounts and percentages are appropriate.

Compensation for Future Absences - The Home has not accrued for compensation for future absences because the amount cannot be reasonably estimated. The Home's vacation policy is that when proper notice of resignation or termination is given the employee will be paid for accumulated vacation time up to the maximum of one year's allotment. Vacation days are not accumulated from year to year. Sick leave accumulates from year to year to a maximum not to exceed sixty days. No reimbursement for sick leave will be made upon termination of employment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Expenses - Administrative expenses and other overhead are allocated to programs and supporting services by management on the basis of number of residents in the corresponding programs and/or the number of employees in the corresponding departments.

Statement of Cash Flows - For purposes of the Statement of Cash Flows, the Home considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2005, cash and cash equivalents consisted only of cash.

NOTE 3 - CHANGE IN OPERATIONS

In March 2003, the Board of Trustees approved a motion to dissolve the Private Agency Foster Care program by not accepting any more children into the program and gradual transition of the existing children out of the program.

NOTE 4 - GOING CONCERN OTHER CONTINGENCIES

- A. **Going concern** - As shown in the accompanying financial statements, the Home incurred a decrease in net assets of \$(302,794) for the year ended June 30, 2005, and had a decrease in net assets of \$(58,893) for the year ended June 30, 2004. As a result of these trends, an uncertainty has been created as to the Home's ability to continue as a going concern. The Home is developing a plan to reorganize staff, reduce other operating expenses, consider a new business model, and identify new sources of revenue. The ability of the Home to continue as a going concern is dependent upon the success of that plan. Otherwise there exists substantial doubt as to the Home's ability to continue as a going concern.
- B. **Other contingencies** - This report does not take into consideration any compliance, or lack thereof, with the Americans with Disabilities Act (ADA), Occupational Safety and Health Act (OSHA), or that of any other regulatory agency.

At June 30, 2005, there was no flood insurance coverage on buildings, furniture, or equipment.

NOTE 5 - INVESTMENTS

Investments are stated at fair value. The United Methodist Foundation of Louisiana is the custodian of the marketable securities and cash investments for The Methodist Home For Children. The Foundation makes investment transactions through professional investment management companies. The Home participates in the Foundation's Fixed Income Funds. These assets are unrestricted. The resolutions as to the use of these funds are voluntary, at the discretion of the Board of Directors of the Home. Therefore, investment income gains (losses) and expenses are reported in the current period in the statement of activities as increases (decreases) in unrestricted net assets.

THE METHODIST HOME FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

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NOTE 5 – INVESTMENTS (Continued)

Aggregate carrying amounts by major types are as follows:

Cash	3%	\$ 704
U.S. treasury & govt. agency securities	44%	10,323
AAA corporate, investment grade bonds	29%	6,804
Mortgage notes	24%	<u>5,631</u>
	<u>100%</u>	<u>\$23,462</u>

The investment funds activity was as follows:

Balance, beginning of year	\$23,471
Investment income	760
Disbursements	<u>(769)</u>
Balance, end of year	<u>\$23,462</u>

NOTE 6 - PROPERTY, PLANT, AND EQUIPMENT

Per Amended and Restated Articles of Incorporation, Article VIII – Ownership of Property, the ownership of all property, immovable or movable, owned in the name of the Corporation, shall vest in the Louisiana Annual Conference, to be held in trust and administered by the Corporation through its Board for the Louisiana Annual Conference. It is specifically declared and provided that this trust is administrative and general, but shall otherwise not affect in any manner the power and authority of the Board of this Corporation, as referred to in Articles VI and VII.

Property, plant, and equipment are carried at cost if purchased and at fair value if contributed. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred. The following is a summary of the major classes of property and equipment and the related depreciation:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 82,332		\$ 82,332
Buildings	404,655	\$ 404,655	
Improvements	682,170	625,075	57,095
Equipment	288,698	225,085	63,613
Furniture & fixtures	203,016	182,089	20,927
Vehicles	<u>135,469</u>	<u>119,470</u>	<u>15,999</u>
Totals	<u>\$1,796,340</u>	<u>\$1,556,374</u>	<u>\$239,966</u>

NOTE 7 - PENSION PLAN

The Methodist Home For Children has a 403(b)(9) type pension plan for all eligible employees. Employees are eligible to participate in the plan if they are at least 18 years of age, have been employed by the Home for one year, and work at least 20 hours per week. Employees are required to contribute at least 2% (up to a maximum of 20%) of their gross bi-weekly wages into the plan, not to exceed \$9,500. The employer agrees to contribute 4% of each participating employee's contribution base. Employer contributions for the plan during the year were \$4,770. Employee contributions for the plan during the year were \$2,422.

NOTE 8 - CHARITABLE TRUSTS

On December 18, 1990, a charitable trust was set up by an individual designating the director of The United Methodist Foundation of Louisiana as trustee. The donor suggested that one-half of the trust's annual income and ultimate principal be ultimately distributed to The Methodist Home For Children in New Orleans, Louisiana, on an unrestricted basis. The term of the trust is for 30 years.

In the event The Methodist Home For Children in New Orleans, Louisiana, ceases to function or ceases to be a qualified tax exempt charity before the 30 years has run, the donor suggested the funds be distributed to another children's home. At June 30, 2005, the market value of the trust was \$423,671. The Home is presently receiving income from this trust. The current year distribution was \$20,801, net of The United Methodist Foundation of Louisiana management fees.

The Methodist Home For Children is also the income beneficiary of another fund with the United Methodist Foundation of Louisiana as trustee. At June 30, 2005, the market value of the fund was \$2,346. The current year distribution was \$152.

NOTE 9 - NOTES PAYABLE - BANKS

Notes payable are as follows:

Lines of credit	First Bank	Bank One	Totals
Line value	\$150,000	\$100,000	<u>\$250,000</u>
Rate	WSJ prime+1%	WSJ prime+1%	
Due date	04/29/06	07/07/07	
Collateral	Unsecured	Unsecured	
Balance due	<u>\$120,916</u>	<u>\$ 60,348</u>	<u>\$181,264</u>

NOTE 10 - CAPITAL LEASE

At June 30, 2005, the Home had entered into a capital lease with Bank of America Leasing, dated June 15, 2002. This capital lease was payable in 60 monthly installments of \$316, including interest, beginning July 15, 2002, and is secured by copier equipment, with a balance of \$7,586.

THE METHODIST HOME FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

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NOTE 11 – NOTES PAYABLE – OTHERS

Notes payable –others consist of the following:

Maturity Date	Interest Rate	Collateral	Totals
08/01/06	5.00%	Playground equipment	\$34,537
07/15/04	8.01%	Insurance policies	<u>29,436</u>
			63,973
		Less: current portion	<u>60,081</u>
		Long-term portion	<u>\$ 3,892</u>

Principal maturities are as follows:

2006	\$60,081
2007	<u>3,892</u>
Total	<u>\$63,973</u>

NOTE 12 - ALLOWANCE FOR UNCOLLECTIBLE AMOUNTS

An allowance for uncollectible amounts was recorded equal to aged receivables over 1 year old at June 30, 2005, which was \$44,371.

NOTE 13- RESTRICTED NET ASSETS

The Methodist Home For Children had no temporarily or permanently restricted net assets at June 30, 2005.

NOTE 14 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Purpose restrictions accomplished were as follows:

Marketing study	\$19,745
Clinic expenses	<u>1,415</u>
Total	<u>\$21,160</u>

THE METHODIST HOME FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

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NOTE 15 - SUPPORT AND REVENUE AND DONATED MATERIALS,
FACILITIES AND SERVICES

Donated Materials and Facilities - From time to time, the Home receives used furniture and equipment and contributed labor and materials to enhance the facilities. Donated materials and facilities that are such that fair values cannot reasonably be determined and which vary greatly in value depending on condition and style are not recorded as contributions. If donated materials pass through the organization to its charitable beneficiaries, and the organization serves only as an agent for the donors, the donations are not recorded as a contribution. Therefore, historically, the Home has not recorded as contributions any donated materials and facilities.

Donated Services - The Home receives donated services from volunteers for fundraising, as available, and from the members of the Board of Directors, who serve without compensation. Because of the difficulty in placing a monetary value on such services, their value has not, historically, been recorded as contributions with an equivalent amount recorded as an expense. The Home recognizes contributions of services, if the service received required specialized skills and would typically need to be purchased if not provided by donation. During the year ended June 30, 2005, there were no contributed services meeting the requirements for recognition in the financial statements.

NOTE 16 - RELATED PARTY TRANSACTIONS

The Methodist Home For Children entered into contracts to market and sell six (6) properties it owned located on Washington Avenue. The contracts were with R. Alan Barlett, Inc., a related party to a member of the Board of Directors. For the year ended June 30, 2004, three (3) properties were sold and commissions were paid under those contracts. The three (3) properties remaining under contract with the same company were sold in the year ended June 30, 2005, and commissions were paid totaling \$9,720.

NOTE 17 - DISPOSAL OF ASSETS

Description	Sales Price	Cost	Expense	Depreciation	Gain/(Loss)
808 Washington Ave.	\$170,000	\$157,957	\$7,536	\$57,610	\$ 62,117
837-39 Washington Ave.	185,000	311,931	8,182	46,474	(88,639)
841-43 Washington Ave.	185,000	211,813	25,226	31,601	(20,438)
					<u><u>\$(46,960)</u></u>

THE METHODIST HOME FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

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NOTE 18 - SCHEDULE OF COSTS AND EXPENSES ON FUNCTIONAL BASIS

	Severe Intervention	Moderate Intervention	Therapeutic Foster Care	Private Agency Foster Care	Fund Raising & Development	Administrative & General	Total
Salaries & wages	\$750,055	\$367,680	\$181,641	\$18,416	\$60,273	\$191,375	\$1,569,440
Payroll taxes	68,088	32,267	16,375	1,655	5,419	16,953	140,757
Foster care parent payments			777,268	27,574			804,842
Bad debts						(568)	(568)
Insurance	64,325	30,822	17,421	1,340		20,102	134,010
Medical services & supplies	10,079	35				4,250	14,364
Security	3,476	1,633	329	9		4,705	10,152
Licenses	78	37				600	715
Office supplies	909	63	354	35	50	25,007	26,418
Printing/marketing mat/computer sw					21,680	17,962	39,642
Motor vehicle-mileage,tolls,park	10,811	446	18,197	3			29,457
Postage			26	3	5,548	2,425	8,002
Special events						13,760	13,760
Prof. serv/service contracts	4,213	1,983				54,589	60,785
Telephone	1,282	885	1,152	125		24,749	28,193
Training	5,968	7,798	16	2		6,801	20,585
Travel & seminar expense		1,000			539	11,589	13,128
Contracts-outside services	28,798	14,987				4,299	48,084
Repairs - building & grounds	21,235	10,159				60	31,454
Repairs & maintenance-furn/equip	5,202	2,417					7,619
Supplies - POM	4,253	1,883					6,136
Utilities	48,277	23,119	6	14		18,124	89,540
Interest						18,952	18,952
Rental						5,018	5,018
Depreciation - furniture/equip.	16,724	8,014	4,529	348		5,222	34,837
Depreciation - vehicles	15,356	7,358	4,159	320		4,799	31,992
Depreciation - building imprvs.	14,098	6,755	3,818	294		4,405	29,370
Employee benefits	555	1,182				35,953	37,690
Food	51,966	24,431					76,397
Dietary supplies	6,763	3,183					9,946
Contracts - outside serv/dietician	1,601	754					2,355
Laundry supplies	3,469	1,632					5,101
Linen & bedding	1,089	508					1,597
Housekeeping supplies	4,898	2,305					7,203
Clothing & uniforms	8,416	4,512					12,928
Allowances	2,093	1,373					3,466
Personal care - hygiene	1,492	681					2,173
Recreational supplies	92	43					135
Summer activity/recreation	1,448	686					2,134
Birthday gift money	380	260					640
Meetings, cultivation & meals	248	116			1,032		1,396
Therapeutic & training supplies	6,054	2,854					8,908
Consultant/psychologist	175	350	1,421	105	19,000		21,051
Dues & subscriptions						6,923	6,923
Educational costs	489	294					783
Totals	<u>\$1,164,455</u>	<u>\$564,505</u>	<u>\$1,026,712</u>	<u>\$50,243</u>	<u>\$113,541</u>	<u>\$498,054</u>	<u>\$3,417,510</u>

NOTE 19 - SUBSEQUENT EVENTS

As a result of the mandatory evacuation of New Orleans, Louisiana, on August 28, 2005, due to Hurricane Katrina, the Home transported all resident children to the Louisiana Methodist Children's Home in Ruston, Louisiana, with a skeletal staff primarily of management. The return date to New Orleans is uncertain and it is not possible to determine the financial impact this may have on the organization.



December 21, 2005

Ms. Sudha Rawal
Engagement Administrator
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: The Methodist Home For Children
Management's Corrective Response to 2005 Audit Management Letter

Dear Ms. Rawal:

The following actions will be or have been taken to correct those matters included in our 2005 Audit management Letter:

Due to Hurricane Katrina our organization has entered into a management agreement with the Methodist Children's Home in Ruston Louisiana and most accounting issues discussed will be managed through their office.

1. Accrual of payroll expenses – This will be done by MCH as of year-end- Both payroll and vacation time are to be accrued.
2. Reconcile the A/P subsidiary ledger with the general ledger balances- Done monthly for accuracy of payables.
3. When invoices are received they are coded and signed by Keith Rhodes, CEO and submitted for payment. Tuesdays and Thursdays are the days that checks will be processed.
4. Submit time sheets, time cards, vacation or sick leave as well as absence reports for employees by the Tuesday afternoon of each payroll week to Ruston.
5. MHC of New Orleans will submit copies of deposits and tax payments to MCH of Ruston.
6. Reconciliation of bank statements- will be handled by the accounting department in Ruston
7. The MHC of New Orleans will continue to operate out of the same banking institution that the Ruston Home utilizes which is Community Trust Bank.



Should you have any other questions, please feel free to contact me at 318-255-5020

Sincerely,

Keith Rhodes
CEO

cc: Terrel DeVille
Ruth Ramsey, CPA
John Allen